United States
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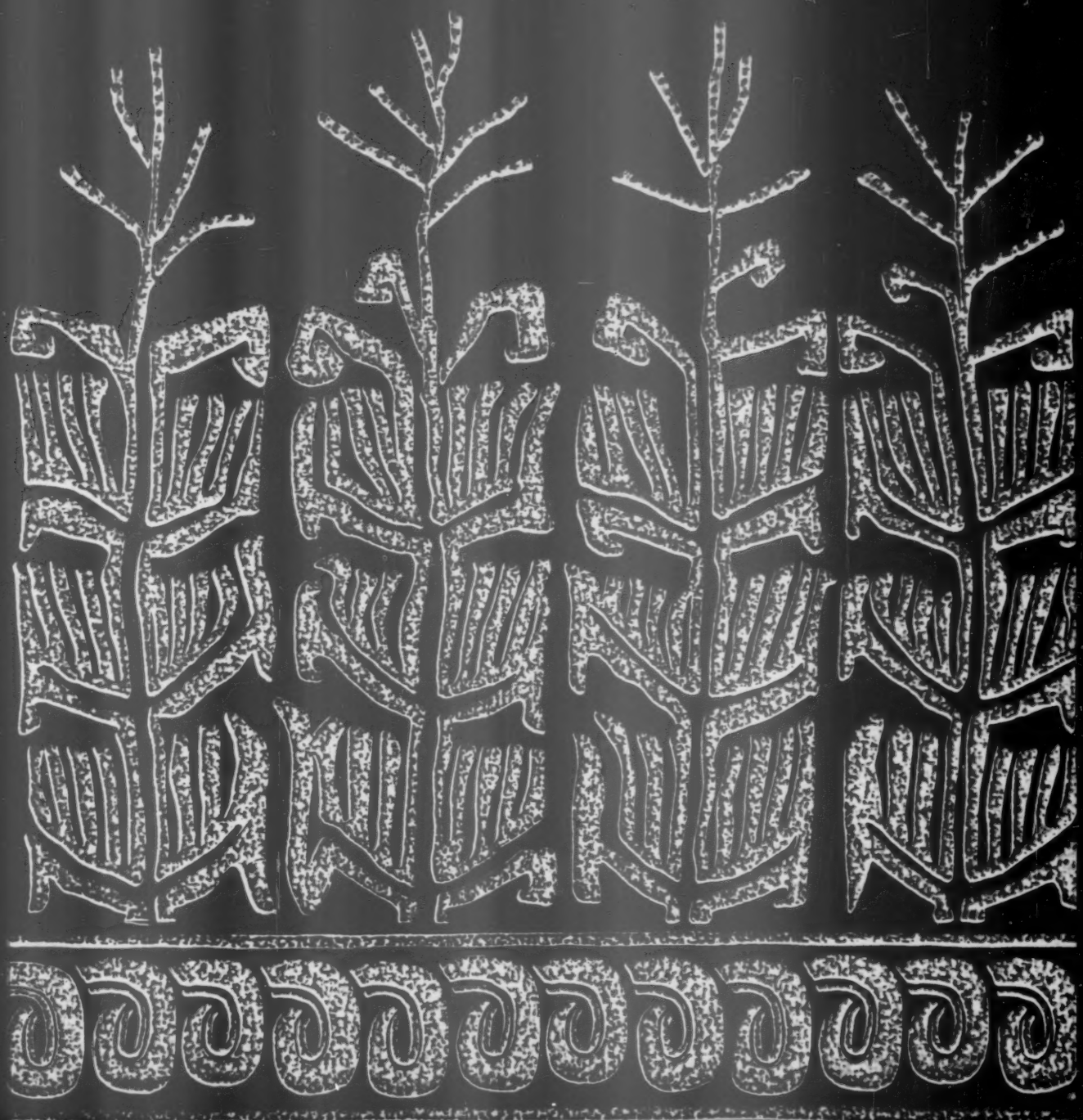
Foreign Agricultural Service

June 1983

Mexico: Fertile Market for U.S. Farm Exports



Marketing News

New European Promotion For Florida Grapefruit

A West German company is running in-store sampling demonstrations to introduce consumers in a number of European markets to the delights of Florida grapefruit juice. The juice, packed under the label of the Dittmeyer Company of Hamburg, is being sold in West Germany, France, Austria, Belgium and the Netherlands. The project, under a program administered by the **Florida Department of Citrus**, is expected to sell as many as 350,000 gallons of Florida grapefruit juice to these countries during March-September 1983.

In addition, the Department of Citrus is promoting fresh grapefruit in West Germany and the Netherlands through special product displays and point-of-sale materials in large supermarket chains. Handbills, radio and newspaper advertisements supplement in-store promotions.

Making Chicken a Household Word in Asia

There may be a chicken in almost every pot in America, but in several Far Eastern countries, consumers have little interest in eating it. The **U.S. Feed Grains Council (USFGC)** and the **American Soybean Association (ASA)** are out to change all that. These cooperators are working on a large-scale consumer education and promotion program in Malaysia, Indonesia and the Philippines. In Malaysia and Indonesia, the reason for low chicken consumption is easy to pinpoint: processing facilities are almost non-existent. In the Philippines, the reason is more subtle: little sophistication exists in product quality, packaging, distribution or promotion.

American consultant Anne Nesbitt recently returned from a cooperator-sponsored tour of two of the targeted countries—Indonesia and the Philippines—where she viewed poultry processing and distribution industries. She also shared her knowledge of poultry processing, marketing and consumer preparation with processors and consumers. The two cooperators are hoping to increase consumer demand for poultry and eggs, perhaps boosting annual per capita consumption by one-half kilogram and 5 eggs, respectively. This, in turn, could lead to increased production of grain-fed birds and a demand for 450,000 metric tons of feed grains, according to the USFGC.

Wheat Seminars in India, Morocco and Tunisia

To boost U.S wheat purchases and enhance the quality of the world's wheat foods, **U.S. Wheat Associates (USW)** recently held several seminars overseas. Manufacturers of cookies and crackers in India conducted a two-week formal training program in production methods. The course was designed for small manufacturers of cookies and crackers, known as biscuits, to upgrade earlier training and improve the quality. Biscuits are one of the lower priced, non-perishable and nutritious convenience foods that have become part of the Indian daily diet. The USW course covered flour quality, formulations, equipment, sanitation and government regulations. In marketing year 1982, USW reported India's purchases of U.S. western and soft white wheats (highly suitable for quality cookies) exceeded 50 million bushels.

A USW baking consultant recently gave several baking seminars and on-site demonstrations in North Africa. William Sultan demonstrated the advantages in using U.S.-produced, high-quality wheats to Moroccan and Tunisian bakers. With the highest per capita wheat consumption in the world, Tunisia and Morocco import more than 2.5 metric million tons of wheat per year—about half their annual consumption needs. Morocco was the first country to benefit from USDA's blended credit program, which is expected to boost U.S. wheat exports to this market by more than 1.5 million tons in 1982/83, or 85 percent of its import requirements. But U.S. wheat faces stiff competition in North Africa, primarily from the European Community.

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The Mexican Government has launched a three-year adjustment program to overcome severe economic problems which intensified in 1982.

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Economic and financial problems have trimmed Mexico's buying power—so the best selling U.S. livestock products are those with the lowest price tags.

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In spite of quarantines and quotas, U.S. horticultural exports are making slow-but-sure progress in the Japanese market.

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Cotton Council International uses a variety of tactics to sell overseas buyers on the merits of U.S. cotton. CCI has been an FAS cooperator since 1956.

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Mexico: Fertile Market For U.S. Agricultural Exports

By John E. Montel

Mexico could become the third largest market for U.S. agricultural exports in calendar 1983—if it can find the necessary foreign exchange.

A drought in 1982, the impact of a national economic crisis on Mexican agriculture and continued population growth all point to a good outlook for U.S. agricultural exports to Mexico. Many of these exports will be facilitated by USDA credit guarantees.

U.S. grain and oilseed exports to Mexico are expected to jump two and half times over last year's sales. In 1983, Mexico is expected to buy about 8 million metric tons of grain and over 1 million tons of oilseeds and oilseed products from the United States valued at about $1.5 billion.

In addition, tallow, nonfat dry milk, certified seed and other agricultural and livestock products could bring total U.S. agricultural exports to about $2.0 billion. Last year 3.7 million tons of U.S. agricultural products were sold to Mexico for $1.16 billion.

Drought Spurs Import Needs

Mexico's agricultural sector suffered from a severe drought during the principal growing season in 1982. The drought reduced total grain and oilseed production by 25 percent from 1981. Losses of most rainfed crops are estimated at approximately 50 percent of the 1981 output. As a consequence, the volume of Mexico's total agricultural imports, including sugar, is expected to increase over 100 percent, compared to 1982.

Mexico's need for agricultural imports almost always is a function of rainfall and available water for irrigation. Historical analysis of Mexico's weather shows that four years of every 10 are drought years; four years are good years for agriculture; and two are mediocre.

U.S. Farm Exports to Mexico Halved in 1982

In 1982, the value of U.S. agricultural exports to Mexico dropped 52 percent from the 1981 level as exports of most commodities declined. Sunflowerseed exports were a notable exception with an 83-percent increase in Mexican purchases to use for processing to help meet the country's oil needs. Although Mexico doesn't usually buy much sunflowerseed oil from the United States, it has, since the beginning of 1983, tendered to buy 70,000 tons of U.S. oil.

Commodity	1981	1982	Change	1981	1982	Change
	1,000 MT	*1,000 MT*	*%*	*Mil. dol.*	*Mil. dol.*	*%*
Sunflowerseed	290	636	+119	103	189	+83
Sorghum	2,088	1,412	-32	330	165	-50
Soybeans & products	786	433	-45	240	149	-38
Dried beans	444	130	-71	326	91	-72
Wheat	1,039	393	-62	206	73	-65
Hide & skins [1]	4,362	2,726	-38	84	64	-24
Seed,planting	50	66	+32	46	55	+20
Animal fats	106	106	0	58	53	-9
Fruits & veg.	91	39	-57	82	39	-52
Live animals [1]	289	1,551	+437	37	38	+3
Yellow corn	2,803	194	-93	449	28	-94
Dried milk & cream	34	15	-56	43	19	-56
Sugar, refined	270	12	-96	154	4	-97
All other	604	290	-52	272	189	-31
Total	**8,620**	**3,731**	**-57**	**2,432**	**1,156**	**-52**

[1] Data in units, not metric tons.

Overall, the country's water resources are poorly distributed for agricultural use and competition for water is keen. Only 15 percent of Mexico's water supply is in the interior highlands but 50 percent of the developed cropland is there, along with 70 percent of the population and nearly 80 percent of the country's industry.

In addition to these problems, Mexico has relatively less water than many other countries. For comparison, the Mississippi River, in an average year, has more water than all Mexican rivers combined.

When weather and rainfall are good, Mexican crops respond well. In 1981, for example, overall agricultural production increased by 6 percent. Grain

Charles D. Brandi

production alone rose by 15 percent. The most important factors for that excellent crop were timely and abundant rainfall and minimal frost damage.

The good weather not only resulted in record yields but it also permitted more of the planted area to be harvested. By contrast, in 1979 the grain crop was a disaster because of drought. A poor oilseed crop followed in 1980 for the same reason.

Even with the large 1981 harvest, Mexico imported 43 percent more agricultural products from the United States than it did in 1980.

A considerable part of these imports went to rebuild reserves. The government wished to accumulate enough stocks to reduce import needs for 1982—the last year of the previous administration's six-year term.

Credit Guarantees Could Spur U.S. Sales

To help meet Mexico's need for agricultural imports and to enhance the competitive position of U.S. agricultural

Mexican Government Tackles Tough Economic Problems

After four years during which Mexico's economic growth increased an average of 8 percent a year, there was a negative rate of economic growth in the second half of 1982.

Mexico became embroiled in economic trouble last year, which intensified as the year progressed.

Neither devaluation of the peso in February 1982, nor a 17-point economic adjustment plan approved in April, restored domestic and international confidence in the government's management of the economy. Capital flight continued and Mexico's international creditors were unwilling to lend Mexico the amount of new money it needed.

The crisis exploded last August. As a result, the government undertook a number of adjustment measures. A two-tier exchange rate system was imposed, but was quickly replaced by a three-tier system. To help shore up the economy, the U.S. Treasury, the Federal Reserve, and the central banks of several other countries put together a short-term assistance package. An advance payment of U.S. $1 billion for oil deliveries to the U.S. strategic oil reserve was also announced and the Commodity Credit Corporation authorized $1 billion in export credit guarantees.

Mexico began negotiations with the International Monetary Fund (IMF) on a long-range adjustment program and opened discussions with commercial banks to restructure the country's external debt.

In September, the private Mexican banks were nationalized and general exchange controls imposed. A few days later a dual exchange rate system went into effect.

Under that system the central bank provides a subsidy to importers of certain goods that the government designates as essential. A higher rate, known as "the free rate" applies to other imports. Under President de la Madrid's administration, the dual rate essentially remains in effect but the peso has been devalued even further. In late March, the "free" rate stood at approximately 150 pesos per dollar and the preferential controlled rate was about 107 pesos per dollar.

The preferential rate was slipping 13 pesos per day or about 33 percent of its value annually.

In one year, the free market value of the peso dropped from 3.8 U.S. cents to 0.7 U.S. cents, a depreciation of over 80 percent.

A Mexican government three-year adjustment program may cause low or negative rates of economic growth for the next several years. This, combined with the exchange controls and the scarcity of foreign exchange, suggests reduced opportunities for many U.S. exports other then agricultural products and for direct investment over the next few years. In 1982, the value of all imports probably dropped over 40 percent from 1981 levels, and total imports are unlikely to increase in 1983.— *By John E. Montel.* ■

exports in the Mexican market, the Commodity Credit Corporation (CCC) has authorized a total of $1.7 billion in export credit guarantees to Mexico.

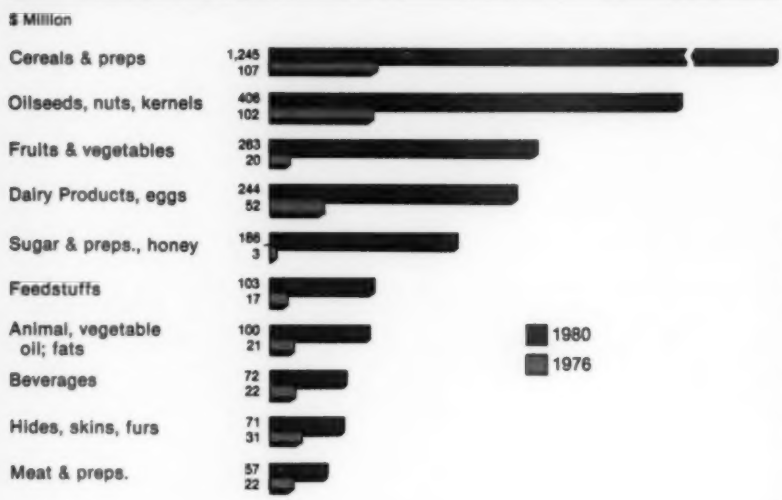
A U.S.-Mexico agricultural supply agreement signed in February provides for these credit guarantees and for other steps to facilitate trade between the two countries. Provisions of the agreement are highlighted on page.

Mexico is using the credit guarantees to pay for agricultural products normally bought by CONASUPO, the Mexican government buying agency for basic commodities. With the credit guarantees under the GSM-102 program, Mexico can take up to three years to pay for products it buys from the United States at an interest cost a fraction above the U.S. prime rate.

The CCC guarantees the U.S. lending banks 100 percent of the principal and most of the interest.

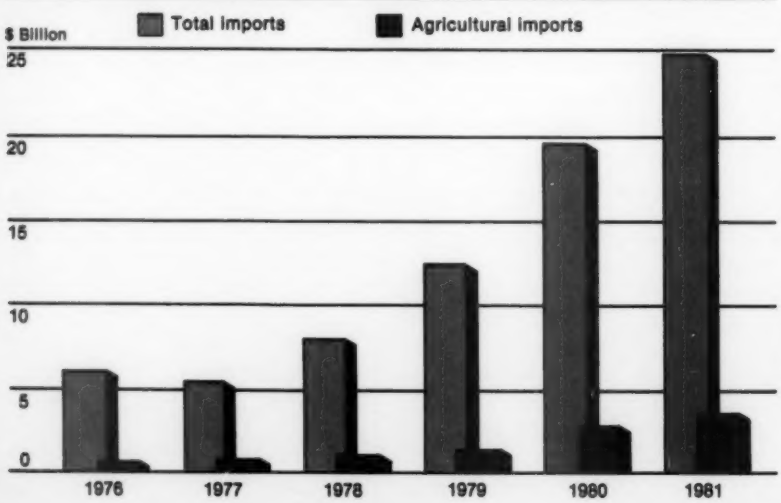
U.S. Supplies Major Share of Mexico's Grain and Oilseed Imports

Mexico turns to other countries for a wide variety of food, feed and other agricultural products. The value of most of Mexico's agricultural imports rose during the late 1970s.



Farm Products Comprise a Growing Share of Mexico's Import Total

Agricultural products have consistently made up a sizable proportion of Mexico's total imports. This pattern has held true for imports from the United States.



In addition to purchases from the United States under the GSM-102 program, it is possible that Mexico may purchase soybeans from Brazil and wheat from Canada.

Nevertheless, the U.S. share of Mexican agricultural imports should increase in 1983, partly as a result of the attractiveness of the credit terms under the GSM-102 guarantees.

Self-Sufficiency No Longer A Near-Term Goal

The de la Madrid government which took office last December is still defining its agricultural policy, but has taken steps to reduce the expensive agricultural programs that were the hallmark of the previous administration.

It abolished an ambitious planning effort launched in 1980 to make Mexico self-sufficient in corn and beans in 1982 and in other basic foods by 1985.

There will probably be a continued effort to develop efficient production of corn, beans and wheat with the least possible government subsidies. These foods, which are most in demand by the lower income classes, will continue to be the major source of future increases in demand. However, because of physical and technical limitations, the growth in production probably will not meet increased requirements.

A concurrent effort to increase oilseed and feed grain production likely will not have the same level of government participation. These commodities are used to produce animal protein which is largely beyond the means of most low income people. In addition, lower middle-income people will probably be eating less animal proteins, even though consumption of these foods has gone up in the last few years.

There will be an effort—mostly in the private sector—to develop hog, beef, poultry and dairy cattle production. The government will avoid spending scarce funds to produce foods consumed primarily by high income consumers.

This means that imports of slaughter animals, carcasses, and offals will be needed to make up for shortfalls in the domestic supply of these products in the longer term.

Good Opportunities for U.S. Agricultural Products

All of this points to a promising market for U.S. agricultural products beyond 1983. Mexico has certain basic needs that must be met through imported food and farm products.

Corn is Mexico's basic food grain. It usually accounts for 70 percent of all harvested acreage and 60 percent of all grain production. Even though corn is a critically important element in the diet of the average Mexican, corn production has increased only marginally over the last decade.

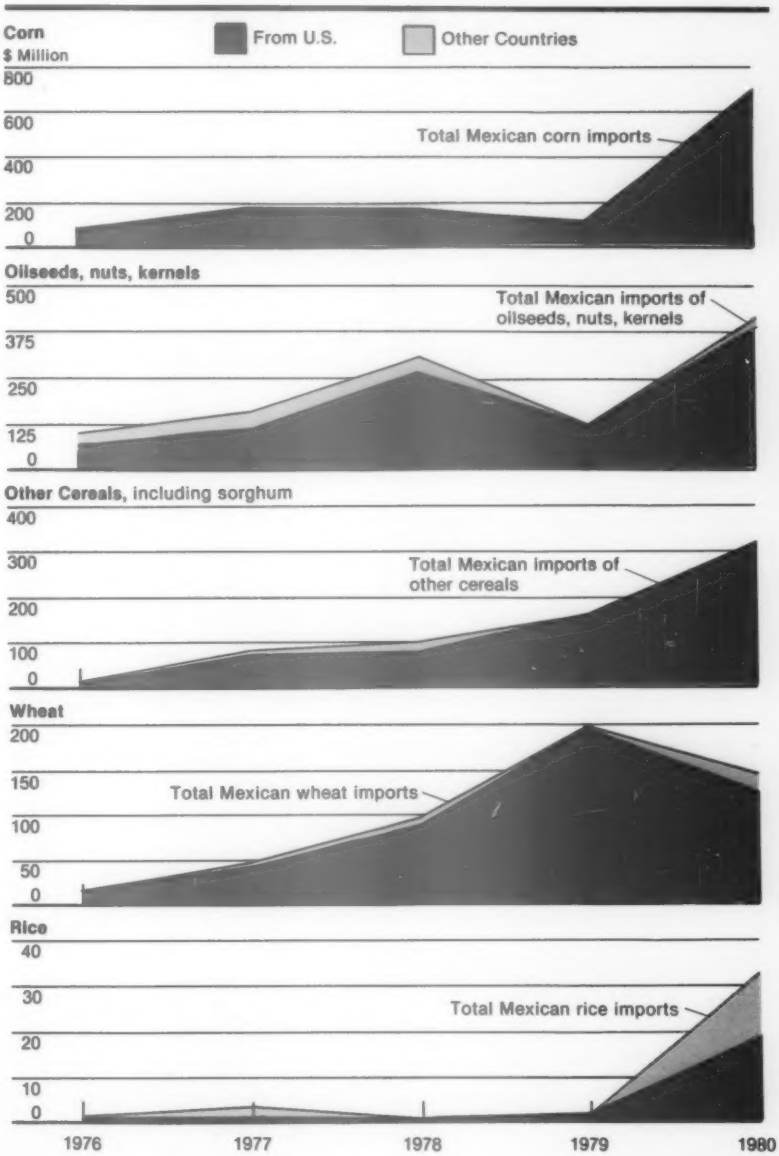
As a result, in the last 10 years, Mexico has become a net corn importer for the first time. The 1982/83 corn crop will probably drop 40 percent below last year's to 7.5 million tons, requiring imports this year of over 4 million tons of corn for food and feed. Possibly, 70 to 80 percent of Mexico's corn imports will be used for human consumption.

Production of feed grains and oilseeds has not kept pace with demand either. Sorghum production in the main producing area suffered heavily from last year's drought. Mexico will have to import about 3.5 million tons of sorghum or No. 3 yellow corn in 1983. Price differentials will mainly determine the extent to which No. 3 yellow corn replaces sorghum.

Mexico will also need to import about 1 million tons of soybeans and 400,000–500,000 tons of sunflowerseed in 1983.

In 1981, 4.4 million additional hectares of reasonably productive land would have had to be planted to substitute for imports. The prospect of a population of 100 million people, or more, by the turn of the century, compared to over 70 million today, makes it likely that

U.S. Top Supplier of Mexico's Grain & Oilseed Imports



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Mexico will continue to rely on the United States as a supplier—even as Mexico increases its own capacity to produce food.

Mexico To Focus On Expanding Exports, Too

There will also be increased attention by Mexico to its export market. The Mexican government and the private sector will try to expand existing exports and to increase the mix of farm exports. By diversifying, Mexico will try to earn more dollars which promise to be in short supply for some years.

The processed food industry, for example, will try to develop exports for this reason. Opportunities for expanding consumption of processed foods in Mexico are not encouraging in short to medium term, until the economy emerges from its slump. ■

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U.S.-Mexico Supply Agreement

The United States-Mexico agricultural supply agreement for 1983 which covers a minimum of 6.5 million metric tons of U.S. agricultural exports to Mexico, was signed in Mexico City in February.

The agreement provides for $1.7 billion in Commodity Credit Corporation (CCC) export credit guarantees under the GSM-102 program to facilitate sales of U.S. wheat, corn, sorghum, sunflowerseed, soybeans, soybean meal, cottonseed, vegetable oil, tallow and shell eggs.

It also provides for direct CCC sales of 60,000 tons of powdered milk to Mexico; semiannual consultations on Mexican import needs; and U.S.-Mexico transportation coordination. The agreement is designed to facilitate trade through credit arrangements, to overcome export transportation difficulties, and to maintain regular trade discussions between the two countries. Commodities will be purchased at the market price at the time of the sale in accordance with normal commercial terms. Nonfat dry milk sales from CCC stocks for special social programs may be made by the CCC directly to CONASUPO, the Mexican government buying agency for basic commodities. The exact volume of commodities covered by the agreement will be worked out at the consultations called for in the agreement.

Exports Under Agreement

Commodity	Quantity	
1,000 MT	Minimum	Maximum
Corn, No. 2	2,000	3,500
Sorghum and/ or corn, No. 3	2,800	3,600
Wheat	200	—
Soybeans	600	900
Sunflowerseed	500	611
Cottonseed	140	170
Crude veg. oil	100	150
Soybean meal	50	60
Tallow	80	90
Nonfat dry milk	90	115
Total	6,560	9,496
1,000 cases		
Eggs	1,000	1,500

Mexico Turns to Lower Priced Livestock Products

By Abner Deatherage

Mexico's economic and financial problems over the past year have brought about an abrupt change in that country's effective demand for U.S. livestock products.

Two currency devaluations—one in August and another in late December 1982—have sharply reduced Mexican consumers' buying power. As a result, high-value items like beef and pork are not selling as well as year ago.

But there is still a sizable market for lower priced U.S. meats and other livestock products such as offals and tallow, as well as milk and eggs. The gains for these lower priced products this year over 1982 are likely to go a long way toward offsetting losses for high-value products. In fact, calendar 1983 livestock and livestock product exports may be well above the $214 million of 1982, or even the $244 million of 1981.

Growth of Past Years Stalls

Up until last August, Mexico's overall demand for livestock products had increased steadily and strongly for about five years.

The inability of Mexican producers to keep up this demand enabled U.S. exporters of livestock products to substantially increase their sales. In calendar 1982, U.S. exports of livestock products were nearly double those five years earlier.

Among the principal items purchased by the Mexicans were powdered milk, hides and skins, variety meats (including offals and pigskins), animal fats, slaughter goats, eggs and breeding stock. U.S. exporters also sold large amounts of beef, pork, poultry and other items. Many of these latter products went to the free trade zones along the U.S.-Mexican border.

Sales Outlook Mixed

Imports have become much more expensive for Mexican consumers as a result of the past year's currency devaluations. The high price tags likely will inhibit purchases of many U.S. livestock products through 1983. However, imports of some items—mainly milk, eggs, variety meats, slaughter sheep and goats, tallow and hides—may pick up.

Mexico's production of all these items is well below the country's effective demand, and the Mexican government is under some pressure to alleviate these shortages.

The availability of export credits for milk and eggs from the United States may help overcome the high peso cost barriers and lead to larger imports. Effective demand for variety meats and slaughter sheep and goats also is likely to continue strong or even grow in coming months. U.S. export prices for these products are very competitive in the Mexican market, where these items are quite popular.

Difficulties with the import licensing system for variety meats as well as cattle hides and skins precluded legal imports of these items during the first quarter of 1983. These problems were resolved by the end of March. Imports of variety meats have resumed and hide and skin imports are expected to resume soon.

U.S. tallow, a versatile and relatively low-cost fat, is currently faring well in the Mexican market. If imports continue at the first quarter rate, the 1983 total will reach more than 100,000 tons and top the previous record high of 87,500 tons set in 1980.

To sum up, U.S. exporters may furnish all or nearly all of the variety meats, eggs, tallow, hides and skins and slaughter sheep and goats imported by Mexico this year. The United States is also likely to capture the lion's share of Mexico's milk market, although there will be significant competition from New Zealand, Canada, and Ireland.

There's no denying, however, that current export prospects are considerably less encouraging for U.S. beef and slaughter cattle, pork, poultry meat, breeding animals, meat and bonemeal and other livestock products.

In recent months, the overall reduction in Mexico's effective demand for livestock products plus increased peso import costs and severe foreign exchange shortages have virtually halted Mexico's imports of U.S. beef and slaughter cattle. These had enjoyed fairly steady growth until last July.

Likewise, imports of pork, wool and several other livestock products have also been stopped or precluded, and imports of breeding animals have been greatly reduced.

Demand Strong in Tourist Areas

Trade in several international tourist spots and along the U.S.-Mexican border areas is running counter to these downtrends.

In these areas, the currency devaluations actually have spurred an increase in effective demand for livestock products as tourists have been flocking to take advantage of the exchange rate. They can now get 150 or more pesos per U.S. dollar, versus about 100 last August and 50 a year ago.

In fact, this increased demand in border and tourist areas has offset a significant portion of the overall decline in the rest of Mexico.

Ways of Coping

Mexico was granted $1.7 billion in export credits to help with purchasing U.S. agricultural products during October 1982-December 1983. Some of these credits are being used for eggs and tallow—and they partially offset the difficulties of scarce foreign exchange and high peso costs.

The Mexican government has requested additional loan funds under the GSM-102 export credit guarantee program to import hides and skins and dairy cattle and also possibly variety meats, high-quality beef and other livestock items. Milk is being imported under USDA's Section 416 export credit program.

The Mexican government and its private sector also have initiated some

talk about the possible use of countertrade and barter arrangements to facilitate imports in the face of the current foreign exchange difficulties. Items mentioned have included variety meats, slaughter sheep and goats, hides and skins, high-quality beef cuts and various other livestock and livestock products.

Mexican-produced items being mentioned for this type of trade include fresh and processed beef items and other processed items such as luncheon meats (assuming success of the Mexican government's current intensified efforts to work out health inspection programs with U.S. officials) and increased export quotas for feeder cattle.

Also, not surprisingly, there is revived interest and activity in operations to bring in various U.S. livestock products for processing and return to the U.S. Several U.S. cooperator associations have increased their efforts in Mexico to promote sales of U.S. livestock products. Right now these groups are using market promotion strategies that emphasize cost and foreign exchange savings, production efficiencies and similar aspects of U.S. livestock products for export.

Long-Term Outlook Good

Assuming reasonable recovery of the Mexican economy, the medium and long-term outlook for U.S. livestock product exports to Mexico is good.

With some exceptions since last fall, Mexico's production of livestock products generally has not been able to keep up with domestic demand for a number of years. This will likely be the case for some years to come as Mexico's economy recovers. Furthermore, production of swine, broilers and eggs fluctuates fairly often and rather sharply in Mexico. Because of their proximity to this market, U.S. exporters should, at time, have a good opportunity to fill some of these supply gaps. ■

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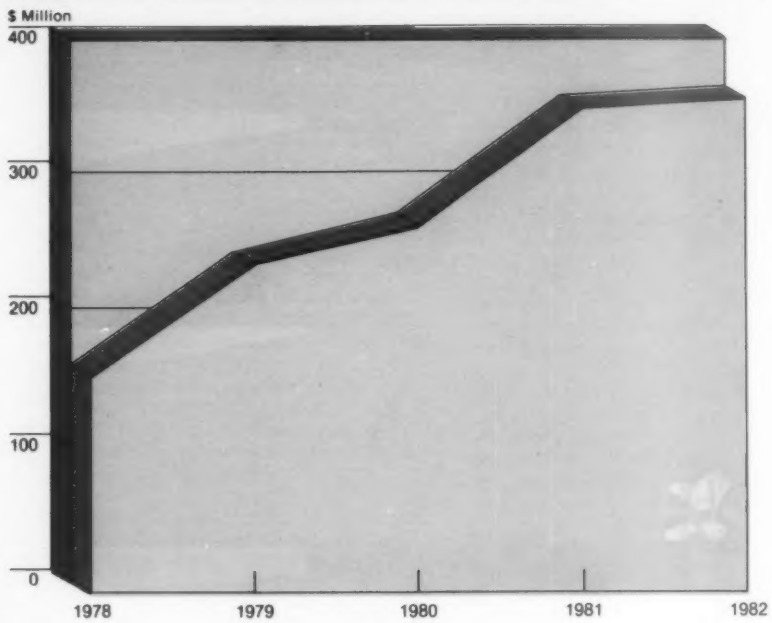
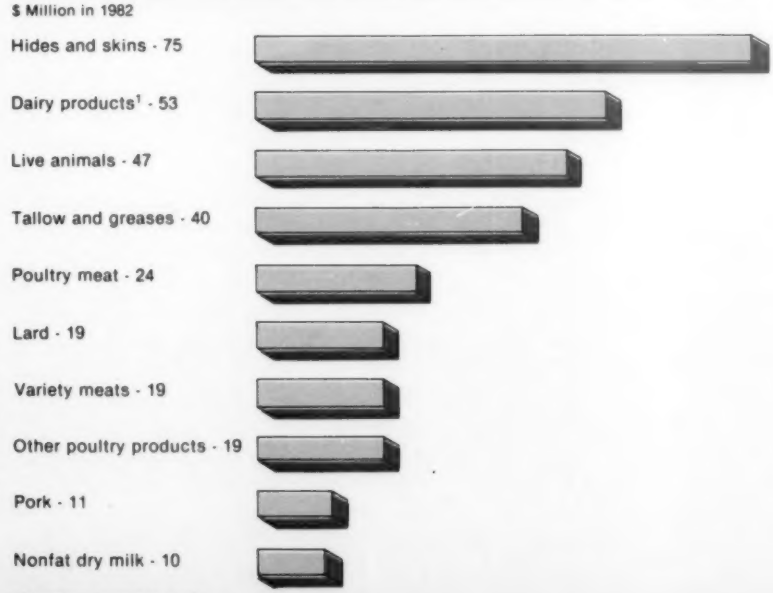
Livestock Product Sales to Mexico Double in Five Years



Hides and Skins Biggest of Top Ten Livestock Product Exports to Mexico


$ Million in 1982
Hides and skins - 75
Dairy products[1] - 53
Live animals - 47
Tallow and greases - 40
Poultry meat - 24
Lard - 19
Variety meats - 19
Other poultry products - 19
Pork - 11
Nonfat dry milk - 10

[1]Other than nonfat dry milk

Fact File

Agricultural Exports: Their Role in the U.S. and World Economy

Importance to U.S. Farmers

More than a quarter of U.S. farm income is derived from agricultural exports, nearly twice that of a decade ago.

In 16 states, agricultural exports account for a third to a half of total farm income. The states are Arkansas, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma and South Carolina.

About a third of harvested acres are devoted to export.

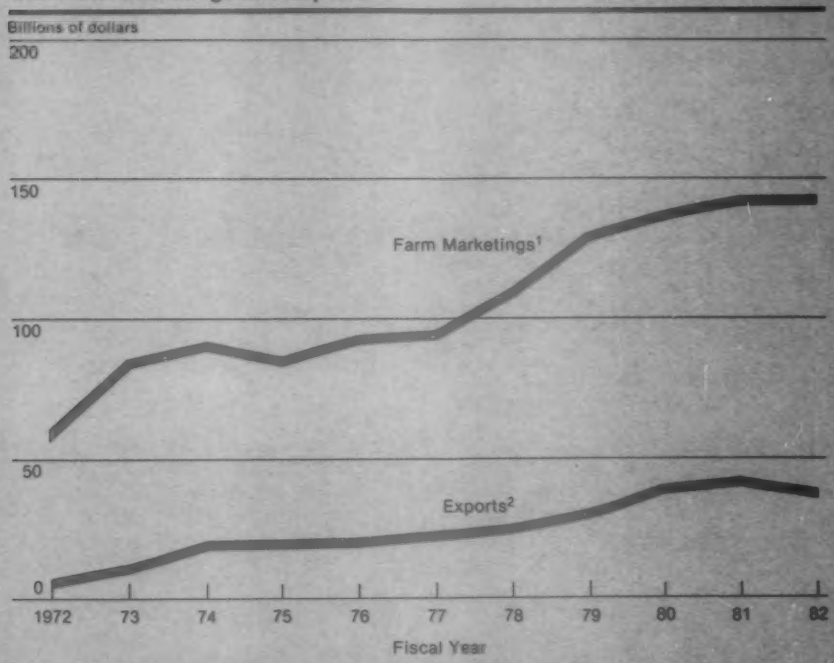
A farmer can turn the energy used on the farm from one barrel of oil into enough crops to purchase 10 barrels of foreign oil.

Effect on U.S. Economy

The United States exports more than three-fifths of its wheat, half its soybeans and rice and more than a third of its corn and cotton.

More than a million people in the United States work in jobs related to farm exports, more than half of them in non-farm industries.

U.S. Farm Marketings and Exports



¹Based on prices received at farm gate ²Based on prices received at point of exportation.

Every dollar's worth of U.S. commodities sold overseas generates an additional $1.05 in economic activity in such areas as transportation, financing, warehousing, and production of supplies sold to farmers.

Farm exports account for a fifth of total U.S. export earnings.

In fiscal 1982, for example, farm exports created about 30 billion dollars worth of additional business in the non-farm community on top of the 39.1 billion dollars in farm exports. This business would not have existed without those exports.

U.S. agriculture has a trade surplus of about $23.7 billion while non-agricultural trade shows a deficit of nearly $60 billion.

U.S. Position in World Trade

In fiscal 1982, the United States provided more than 45 percent of world wheat exports and about 55 percent of coarse grain exports. U.S. farmers supplied nearly 90 percent of world soybean exports and 22 percent of the rice.

U.S. agricultural exports to Japan in fiscal 1982 required a growing area greater than the land Japan has available for use in domestic production.

The United States accounts for only a fraction of the world's population—yet it provides about half of all world grain trade.

The United States is also a major farm importer. For example, the U.S. market accounts for 82 percent of Mozambique's agricultural exports, 61 percent of the exports from the Dominican Republic, and 59 percent of the exports from Rwanda.

U.S. food aid paves the way for U.S. commercial exports. Consider this: In 1956-58, U.S. food aid to 17 overseas markets was $3.1 billion and commercial sales of all U.S. products were $3.6 billion. Two decades later, U.S. food aid to these same 17 countries was only $756 million and total commercial sales were $43 billion.

U.S. Fruits and Vegetables On the Toll Bridge to Tokyo

By Richard Schroeter

Despite the Medflies' raid into California's fresh fruit shipments to Japan, sharply higher sales of fresh onions, canned corn and frozen french fried potatoes more than offset a 7-percent drop in the value of fresh fruit sales in fiscal 1982.

Overall, U.S. horticultural exports to Japan survived tough luck and tough trade restrictions, posting a 3-percent gain to a record $479 million.

Fresh fruit exports are expected to recover in the current fiscal year. However, a setback in the upward trend in total horticultural exports to Japan may cloud the horizon.

From October to December 1982, total exports were off 25 percent to $101 million, largely because two bright stars of a year ago—onions and canned corn—suddenly dimmed.

Fresh onion exports have been minimal because of a rebound in Japanese production. A larger Japanese canned corn pack, heavy inventories in Japan, the strength of the dollar against the yen, and sluggish economic conditions have combined to cut canned corn exports by over 50 percent.

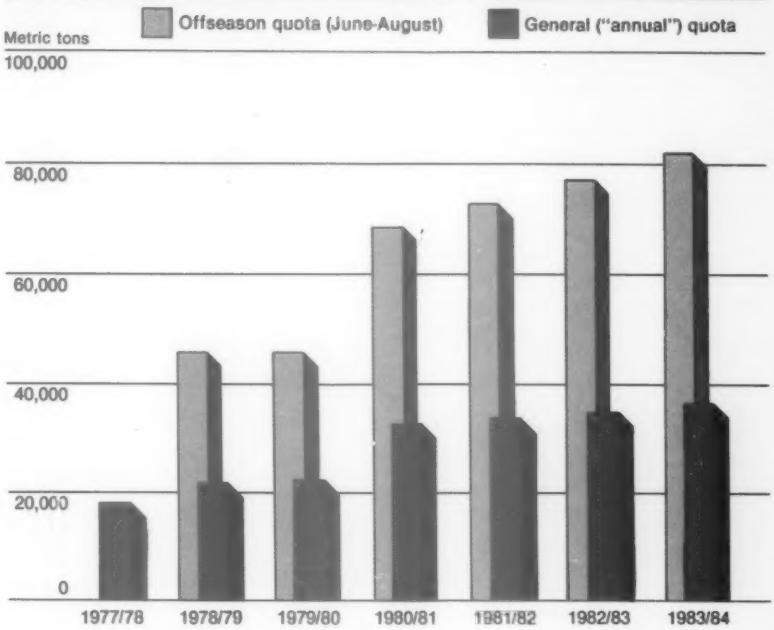
Quarantines Constrain Exports

Selling horticultural products to Japan is greatly complicated by excessively strict quarantine measures. The recent Medfly crisis is a case in point.

The Mediterranean fruit fly (Medfly) infestation in California, which first occurred in mid-1980, disrupted fresh fruit exports as the pest edged into California's San Joaquin Valley in August 1981. Japan reacted immediately, requesting USDA to withhold phytosanitary certificates for fruit and "fruit-type" vegetables destined for Japan from California.

Produce from outside the regulated areas in the state could only be exported to Japan if treated in accordance with approved fumigation or cold treatments. Because of the lack of fumigation facilities, exports to Japan

Japan's Orange Quota Changes Gradually



U.S. Horticultural Exports to Japan Gain 3 Percent in Fiscal 1982

Commodity	1981	1982	1981	1982
	Thousands of metric tons		*Millions of dollars*	
Fresh fruit	369	343	200	187
Canned fruit	18	20	16	18
Dried fruit	24	23	41	35
Frozen fruit	5	6	5	7
Fruit juice [1]	10	11	17	18
Fresh vegetables	40	81	18	34
Canned vegetables	30	34	23	28
Frozen vegetables	78	78	50	58
Dehydrated vegetables	22	23	22	24
Tree nuts	11	13	44	37
Other	—	—	27	32
Total	—	—	**462**	**479**

[1] Volume in 1,000 gallons.

came to a virtual standstill. Lemons, strawberries and melons were among the key products affected.

In spite of repeated efforts by USDA to convince Japanese authorities of the biological soundness of the Medfly control program, the Japanese did not loosen the import restrictions until January 1982 when they exempted lemons from the treatment requirements.

As USDA and state plant quarantine authorities gained greater control over the infestation, Japan further relaxed its restrictions, finally eliminating them entirely when eradication of the Medfly was declared on Sept. 21, 1982.

U.S. exporters generally believe that Japan carries its enforcement of plant quarantine regulations beyond what is necessary for plant protection.

For example, when head lettuce enters Japan, it must be fumigated for control of aphids—even though aphids are already present in Japan. This fumigation destroys the marketability of the lettuce, forcing U.S. shippers to export only shredded lettuce, which is not subject to the fumigation requirement.

Quotas Are Pests of a Different Sort

The most highly publicized Japanese barriers to U.S. horticultural exports are the residual import quotas on fresh oranges and orange juice and grapefruit juice. Japan has has made significant progress in enlarging these quotas in recent years. But their continued existence shackles U.S. exporters and potential Japanese importers, remaining as a major irritant in U.S./Japan trade relations.

In fiscal 1979, the fresh orange quota was enlarged from 18,000 metric tons to 45,000 tons as a result of the Strauss-Ushiba Understanding of January 1978. Half of this 45,000-ton quota was restricted to imports during the "off-season," June through August.

Imports under the remaining general quota were not restricted by month. Further enlargement of the fresh orange quota occurred as a result of the Tokyo Round of the Multilateral Trade Negotiations.

Black Star

For the 1983/84 Japanese fiscal year that began in April, the total orange quota of 82,000 tons consists of an off-season element of 45,500 tons and a general quota of 36,500 tons. The situation after 1983/84 awaits negotiations with Japan.

Japanese citrus growers are campaigning against trade liberalization with organized demonstrations and petitions, although they appear to be meeting an increasingly skeptical audience even in Japan. If imports of oranges were to double under liberalization, they would still represent only 5 percent of the total annual supply of oranges in Japan.

Available evidence suggests that Japanese mikan oranges (satsumas) would continue to be very competitive with imports. The losers under liberalization would be the quota holders who are in a position to extract large profit margins and to manipulate supplies to their advantage.

The orange juice and grapefruit juice quotas for 1983/84 will be 6,500 tons and 6,000 tons, respectively. The United States is by far the major supplier of grapefruit juice under the quota.

Orange juice is a different story. Under a requirement that imported orange juice be blended with Japanese juice, the United States has been reduced to a small, residual supplier. Under this restriction, price considerations overwhelm quality factors, strongly favoring Brazilian juice.

Other horticultural products subject to import quotas in Japan include apple juice, grape juice, canned pineapple, fruit puree and pastes and tomato sauce. Japan has shown the same reluctance to bring these restrictions into conformity with international trading rules.

When Nature Takes Its Course

What happens when trade is allowed to operate freely? Look at fresh grapefruits and lemons, for example. They were both liberalized in the early 1970s. Since then Japan has become the largest market for U.S. exports, purchasing a total of over $100 million annually.

Almonds are another example. The California Almond Growers Exchange, a participant in the FAS market development program, strongly promotes the visibility and use of U.S. almonds in Japan based on the well-founded conviction that Japan might be a major world almond market.

The results so far? The volume of U.S. almond exports to Japan increased 25 percent to almost 12,000 tons in fiscal 1982.

Strong Cooperator Presence

Besides the almond group, a number of other FAS cooperators maintain a strong promotional presence in Japan. They include the Florida Department of Citrus (fresh grapefruit), Sunkist Growers (fresh citrus), the Cling Peach Advisory Board (canned peaches and fruit cocktail), the California Table Grape Commission, the California Avocado Commission, the California Raisin Advisory Board, the Papaya Administrative Committee, and Sun-Diamond Growers (prunes and walnuts). Also, the Potato Board is expanding its promotional efforts to further stimulate sales of U.S. frozen potatoes. ■

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Trade Updates

China-USSR Sign Timber Agreement

A timber supply agreement between China and the USSR was recently reached in Moscow. The agreement, negotiated simultaneously with the annual trade agreement, reportedly runs for three to five years and in 1983 calls for the USSR to supply 1 million cubic meters of timber (worth some $80-100 million). This timber agreement, the first since 1960, will affect U.S. exports of solid wood products to China, which has been a significant growth market for U.S. exporters. U.S. exports of solid wood products to China have increased dramatically from near zero in 1979 to over $215 million in 1982. The volume of timber in the agreement is equivalent to 1981 U.S. shipments to China of 220 million board feet.—*Norman R. Kallemeyn, Agricultural Counselor, Beijing.*

EC and China Discuss Additional Wheat Sales

The European Community (EC) and China are again discussing additional EC wheat sales under the loosely worded and non-binding three-year agreement that expires July 31, 1983. China already has purchased about 1.4 million metric tons of EC wheat this year, compared with only 80,000 last season and 409,000 in 1980/81. EC wheat subsidies had fallen to about $63 per ton by early April, but the EC had to grant a $6 per ton corrective subsidy on wheat for China to cover additional transportation costs.—*Alan Riffkin, FAS. Tel. (202) 475-4200.*

FAO Group Again Opposes EC Vegetable Oil Tax Proposals

The FAO Intergovernmental Oilseeds Group has reiterated its concerns about continued EC discussions of taxing vegetable oil imports. The group stressed that adjustments to the EC agricultural infrastructure must be at EC expense, and must not be borne by third-country suppliers, many of which are developing countries. —*Beverly Simmons, FAS. Tel. (202) 447-4127.*

Indonesia Loosens Reins On "Non-Essential" Food Imports

The government recently authorized a second firm to coordinate imports of "non-essential" food items. The firm, Sarinah, is a state-owned entity which operates the largest department store chain in Jakarta as well as a "duty free" shop. Under the current arrangement, the country's two "authorized importers," Sarinah and P.T. Kerta Niaga, for the most part simply approve transactions accomplished by established private importers. Their service can cost up to 15 percent. Several food processing firms have also been given permission to import raw materials (i.e. tomato paste, fruit concentrates) for final processing. However, last December's de facto import ban on imports of fresh fruits and vegetables is expected to continue indefinitely. —*George J. Pope, Agricultural Attache, Jakarta.*

Peru Relaxes Restrictions on Wheat Imports

Peru's Ministry of Agriculture recently authorized wheat flour mills to import wheat and wheat products directly, although they will still have the option to purchase through the government's buying agency, ENCI. In addition, the government eliminated the import duty on wheat and the surchage of 10 percent on the c.i.f. value of wheat imports, and dropped wheat and wheat byproducts from the list of basic products subject to price control.

For the time being, though, millers may continue to buy wheat from ENCI rather than import directly. Flour and bread prices are still controlled by the government and millers fear a cost-price squeeze.—*Norval Francis, Agricultural Attache, Lima.*

Soviet Union Purchases Australian Cotton for First Time

The Soviet Union recently purchased 45,000 bales of high-quality Australian cotton. The price reportedly was 73.5 cents per pound f.o.b., 2 to 3 cents above ruling f.o.b. prices. This is the first time the USSR has purchased cotton from Australia.—*Henry Wagley, FAS. Tel. (202) 382-9512.*

Promoting U.S. Cotton—A Cooperative Venture

Black Star

By David C. Hull

The fact that participants are guaranteed to have the opportunity of seeing and picking cotton is one of the many attractions of the Cotton Council International's (CCI) annual tour of the U.S. Cotton Belt.

For each of the past 14 years, CCI has arranged for mill decisionmakers from abroad to get a close look at how cotton is grown, harvested, ginned, classed and marketed in the United States.

Participants visit cotton fields, gins, merchant establishments and cooperatives—they actually pick cotton in different locations and get their feet dirty in the process. In doing so, they get to know more about the types and qualities of U.S. cotton—as well as become acquainted with their U.S. industry counterparts.

The annual tour is only one of many promotional activities carried out by CCI, a trade organization that has cooperated with the Foreign Agricultural Service (FAS) on market development projects overseas since 1956.

The Maid of Cotton's annual goodwill tour overseas is another CCI effort aimed at drawing attention to U.S. cotton overseas. The Maid acts as an ambassadress for the U.S. cotton industry overseas—and her visits serve as a focus for retail promotions, fashion shows and other media events in the countries she visits.

The 1982 Maid of Cotton, Jann Carl, assisted in promotion for U.S. cotton in eight countries, including Japan, Korea, Hong Kong, Singapore, Thailand, Greece, the United Kingdom and Canada.

CCI also sponsored three trade teams to major cotton importing nations in Asia and Europe during 1982. The teams—composed of U.S. cotton farmers, exporters and government representatives—discussed mutual problems and opportunities for U.S. cotton. Such teams have been sent by CCI to all important cotton importing countries since the inception of its market development program.

In meeting the objective of increasing foreign consumption of U.S. cotton, trade teams and orientation programs serve specifically to bring together buyers and sellers.

All of CCI's market development programs are the outgrowth of close cooperative relationships with U.S. cotton's customers overseas.

CCI has planned programs with textile and retail professionals in Canada, France, Hong Kong, Indonesia, Italy, Japan, Korea, the Philippines, Spain and Thailand. All these promotions were for 100-percent cotton products made entirely or primarily with U.S. cotton.

While the approach of CCI programs varies, the goal is always the same: to increase foreign consumption of U.S. cotton.

In Japan, Canada and Hong Kong, CCI focuses on reaching consumers through point-of-purchase promotions. In the Philippines, Italy, Thailand and Korea, market development programs are directed at improving mill decision-makers' awareness of the qualities of U.S. cotton.

CCI has four offices—two in the United States (Washington, D.C. and Memphis) and two overseas (Hong Kong and Brussels).

A major factor in the success of CCI's activities has been the development and maintenance of close personal relationships with foreign buyers and U.S. exporters.

From its U.S. offices, CCI stays in close touch with the people in the United States who make decisions on how cotton is grown, processed, purchased, exported and used.

CCI's representatives overseas supply important market information for the U.S. industry about the likely level of foreign demand. They have on-going personal contacts with those in Asia and Europe who decide how much U.S. cotton will be imported.

These representatives also play a big part in the design of CCI's market development programs. Their understanding of foreign buyers' preferences and mill production capabilities has been one of the big factors in the past success of U.S. cotton in overseas markets. ■

The author is Executive Director, Cotton Council International, Washington, D.C. Tel. (202) 833-2946.

Nigeria: Potential Market For U.S. Cotton

By Carol Brick-Turin

With a population estimated as large as 100 million, and a hot climate that makes cotton the preferred fiber for textiles, Nigeria could become a market for U.S. cotton.

The market potential is particularly bright for exports of the longer staple varieties needed by mills to produce high-quality textiles.

Nigeria's own cotton production is not likely to satisfy mill requirements for several years to come. And even when self-sufficiency is reached in terms of quantity, long-staple varieties require too much water for Nigeria's current irrigation network to supply.

Although the government currently is restricting imports to conserve scarce foreign exchange, the tremendous importance of the textile industry suggests restrictions on cotton imports may be among the first to be relaxed as Nigeria's economy improves.

Textile production employs over 100,000 people and has great potential as a revenue earner. Currently the government is encouraging textile industry development through tax relief to mills and a ban on fabric imports. Spinning will be emphasized further with increased tariffs on yarn imports.

The textile industry is modernizing slowly, and is investing in spinning equipment as well as in newer, more versatile looms. Plants are attempting to become more cost efficient and particular emphasis is being given to increasing production of quality fabrics.

The author is an agricultural marketing specialist with the Tobacco, Cotton and Seeds Division, FAS. Tel. (202) 382-9510.

Country Briefs

Brazil

Alcohol Production Program Showing Progress

Brazil has increased its alcohol production from 556 million liters in late 1975 to an estimated 5.8 billion liters in the 1982/1983 crop year (June/May). Currently, Brazil blends approximately 2.5 billion liters of alcohol with gasoline in a 20:80 mix, as well as produces enough hydrous alcohol to fuel 600,000 vehicles adapted or designed to run on pure alcohol. There are now 406 alcohol distilleries approved by the government with a production capacity of 7.7 billion liters.

Since 1975, financial resources invested in the alcohol production program amounted to US$3.3 billion ($1.9 billion in the industrial sector and $1.4 billion in the agricultural sector) resulting in about 200,000 new jobs. The area planted with sugar cane for alcohol production is estimated at 2.0 million hectares. Financing for the agricultural sector is split between financing investment costs (establishing sugar cane plantations or renewing old ones) and financing production costs.—*G. Stanley Brown, Agricultural Counselor, Brasilia.*

Poultry Exports To Iraq Cut U.S. Sales

Brazilian sales of more than 85,000 tons of whole broilers to Iraq in 1982 were largely responsible for cutting U.S. poultry meat exports to that country from $42 million in 1981 to zero in 1982. Continued Brazilian sales in 1983 may again preclude U.S. suppliers from the Iraqi market for whole broilers.—*James Gruff, FAS. Tel. (202) 447-2461.*

China

Timber Imports From U.S. To Grow

Although China currently produces nearly 50 million cubic meters of logs annually, demand for wood and wood products far exceeds domestic supply capabilities. As a result, imports of timber have increased dramatically over the past three years from 0.58 million cubic meters in 1979 to an estimated 3.4 million in 1982. The United States supplies approximately 60 percent of China's timber requirements. From practically zero in 1979, U.S. timber sales to China rose to $41.4 million in 1980, $89.2 million in 1981, and $211.9 million in 1982. Current indications are that China will import approximately 3 million cubic meters of timber from the United States in 1983, or roughly 75 percent of its projected imports for the year.—*Bernadine Baker, FAS. Tel. (202) 382-8891.*

Czechoslovakia

Larger Feed Grain Imports Likely

Feed grain imports in 1982/83 (July-June) could be larger than earlier estimated, owing to a recent government decision to allocate more hard currency to grain. Substantial quantities of grain have already been imported this year under long-term agreements with other East European countries, allowing Czechoslovakia to cover minimum livestock needs. Additional imports could permit hog numbers to be rebuilt, thus alleviating the current shortage in animal fats and oils. Imports are likely to come from European countries, where feed wheat supplies are available for export. The United States and Argentina apparently are not price competitive, especially with the subsidized grain from the European Community.— *Grain and Feed Division, FAS. Tel. (202) 447-6219.*

Ecuador

Market for U.S. Holsteins Continues Strong

Ecuador's imports of U.S. Holsteins and semen are projected to total $1 to $2 million this year, despite low milk prices and economic recession. Ecuador imposes few barriers to such imports—currently the only impediments are licensing requirements and a lack of foreign exchange in the central bank. Import licenses generally take 3 to 6 months to obtain from the Ministry of Agriculture, but this has not been a serious obstacles to imports of quality U.S. Holsteins. Last year about 300 head of dairy cattle were imported, of which roughly 200 came from the United States and about 100 head came from Cuba.

Presently, no other country besides the United States is shipping dairy cattle to Ecuador. However, in 1982 Cuba shipped some Siboney (Holstein-Brahman Crossed Cattle) and in 1981 Uruguay shipped some Holsteins to Ecuador. The last export of Canadian Holsteins to the local market was reported in 1980.—*Bill Emerson, Agricultural Attache, Quito.*

Ireland

EC Membership Pressures Agricultural Sector

The Irish, who once visualized that their membership in the European Community (EC) would bring them brand new and huge markets in Europe for their products, have found that their own food import bill has risen nearly 80 percent since 1973 because they are also being pressured to open their markets to other EC members, particularly for fruits and vegetables. The calls to "buy Irish" are repeated with ever greater frequency as Irish farmers are hurting badly.

Irish agriculture today is mostly devoted to livestock in terms of land usage and the conversion of feeds to the production of dairy and meat products. Since joining the EC in 1973, Ireland's agricultural exports have risen about 1 percent. About 70 percent of these exports are made up of dairy and meat products. Any fall in overseas demand causes serious concern in Ireland. Changes in demand in the United Kingdom, which accounts for about 45 percent of all Irish agricultural exports, have an especially pronounced impact on Irish agriculture.—*Pitamber Devgon, Agricultural Attache, Dublin.*

Moves Afoot To Curb Value-Added Imports

The Irish Minister of Agriculture recently established a special "think tank" to indentify food imports which could be replaced by homegrown produce. The move was prompted by the recent closing of several large food processing companies, the temporary closure of two meat plants, and the proposed closure of a vegetable plant. Irish industry officials had warned that many more of the 45,000 jobs in the food processing sector were in jeopardy unless steps were taken to curb imports.

Although Ireland's per capita imports of food products have not increased much in the past decade, imports of value-added goods, such as meat, dairy products, fish, fruit and vegetables were on the upswing due to the growing sophistication of consumer tastes and pressure from the European Community (EC) for the relaxation of some of Ireland's import restrictions. In addition, Ireland's higher rate of inflation in recent years has made it difficult for certain Irish industries to compete with those in other EC nations (particularly in the United Kingdom). This too, was a factor in the rise in imports of such things as poultry, cured pork, eggs, flour and certain fruit and vegetables.

While U.S. export opportunities in Ireland are often restricted by EC import tariffs, quotas, etc. and strict animal and plant health restrictions, the increase in value-added imports had suggested growing opportunity for U.S. processed food products.— *Pitamber Devgon, Agricultural Attache, Dublin.*

Italy

U.S. Corn Sales Being Trimmed

U.S. corn exports to Italy are being pressured by increased imports of French and Yugoslav corn as well as weakened Italian demand stemming from growing imports of livestock products from the European Community (EC). Total Italian corn imports during August-December 1982 were off roughly two-thirds from the year-earlier period, with imports from the United States down three-fourths. In addition to price, advantages of buying French corn apparently include: a time lapse between order and delivery of five days, which is a much shorter delivery period than for grain from the United States; payment in lire instead of a fluctuating dollar; and the possibility of making small shipments to hold down costly stock inventories. Furthermore, by the end of July 1983, the special discount on the levy paid by Italy for imports of feed grains by sea will be discontinued. In February, the discount was equal to about $2 a ton and its termination will be an additional advantage to French corn.— *Dean Richards, FAS. Tel. (202) 447-4199.*

Japan

Surge in Soy Milk Popularity Could Benefit U.S.

The growing popularity of soy milk in Japan could be a boon for U.S. farmers, who supply nearly all the soybeans used for crushing by Japanese manufacturers. Current production is estimated at 70,000 metric tons per year, valued at $87.5 million. The industry expects the market to expand to over $280 million as several large firms are now starting production. Currently 11 major firms are producing soy milk which comes in various flavors as well as plain. Tofu shops also market soy milk. Soy milk-based processed foods such as soy milk puddings are also now on the market.—*William L. Davis, Agricultural Counselor, Tokyo.*

Soviet Union

Purchases of U.S. Soybeans Resumed

The Soviet Union's purchase of 200,000 metric tons of soybeans in April marked its first entry into the U.S. market since late 1981. The purchase does not represent a policy shift by the USSR. The Soviets turned to the United States for soybeans because of the relatively small Argentine 1983 crop and difficulties in arranging shipments of soybean meal from Brazil.

Demand for protein in the Soviet Union is expected to remain strong through the rest of 1983 and in 1984 because of the government's commitment to increase production of livestock and dairy products, as called for in the New Food Program adopted in May 1982. The Soviets are expected to import increasing quantities of soybeans and soybean meal to meet the feed requirements of a record-large cattle herd and expanding hog population.

Soviet soybean meal imports in 1983 are now estimated at 2.6 million tons, nearly 1 million tons above the 1982 level. Soviet imports of soybeans in 1983 are projected at 1.5 million tons and additional purchases from the United States are possible.—*Ralph Dutrow, FAS. Tel. (202) 382-8881.*

Sweden

Oat Surplus Could Trim U.S. Grain Sales

With 160,000 tons of 1982-crop oats to unload, and not much interest on the part of traditional export markets, the Swedish Grain Trade Association recently announced it will subsidize the price of dehulled oats for poultry feed by about $1.62 per 100 kilograms. Dehulled oats are well suited as poultry feed, apparently being more nutritious than any other grains. However, used as poultry feed, oats are likely to reduce Sweden's imports of corn, corn meal and other feed corn products from the United States. Use of wheat and barley for feed may also be affected.—*William P. Huth, Agricultural Attache, Stockholm.*

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